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PRODUCTION SUPPLEMENT

TO THE

MEMORANDUM OF UNDERSTANDING

BETWEEN THE

GOVERNMENT OF THE UNITED STATES OF AMERICA

AND THE

GOVERNMENT OF SWEDEN

FOR

DEVELOPMENT, MODIFICATION AND ADAPTATION

OF THE

HELLFIRE MODULAR MISSILE SYSTEM

FOR

SWEDISH COASTAL DEFENSE

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I. BACKGROUND.

1.1 The United States Department of Defense (DoD) on behalf of the Government of the United States of America (USG), and the Defense Materiel Administration (FMV) on behalf of the Government of Sweden (GOS) signed a Memorandum of Understanding (MOU) for the development, modification and adaptation of the Semi-Active Laser HELLFIRE Missile System described in Annex A on 13 May 86, to meet GOS coastal defense needs (hereinafter referred to as the "Basic MOU").

1.2 Paragraph 1.3 of the Basic MOU required that a Production Supplement to the Basic MOU, which describes a follow-on production program, be negotiated.

PURPOSE.

It is the intention of the FMV on behalf of the GOS to enter into a production program of the HELLFIRE Missile as adapted for coastal defense by FMV, as described in Annex A and hereafter referred to as the Coastal Defense System. This Supplement outlines the terms, conditions and obligations agreed to by the GOS and U.S. in executing the production program.

SCOPE.

3.1 The DoD and the FMV enter into this agreement for the purpose of authorizing the FMV to acquire the Coastal Defense System through a combination of FMS and direct sales procurement of HELLFIRE Missile components; with missile assembly and acceptance testing in Sweden or the U.S. The GOS developed warhead and the modified autopilot will be procured by direct commercial sales. Necessary technical assistance and technical data necessary for in-country assembly will be provided through FMS and/or commercial arrangements. System responsibility for integration, testing and assembly will remain under the control of the U.S. contractor.

3.2 The FMV will procure components and assemble up to 1,200 missiles plus 10% spares, for its own use under this agreement. This includes HEAT, dummy and special test missiles.

3.3 All defense articles and defense services provided by the DoD in connection with this supplement will be sold in accordance with the Arms Export Control Act and will be the subject of Letters of Offer and Acceptance (LOA's) (DD Form 1513). In the event of any inconsistencies between this supplement and such LOA, the LOA will govern.

3.4 The provisions of this production supplement are in addition to the provisions of the basic MOU. In the event of any conflict in the terms of the Basic and this MOU, the supplement will govern.

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IV. MANAGEMENT.

4.1 The DoD and the FMV will each designate a project officer to provide liaison on all matters affecting implementation of this program including arrangements for the exchange of information, access to establishments and facilities, and review of program progress.

4.2 Upon approval and signature of this MOU, the designated project officers are authorized to sign a Implementing Agreement (IA) within the scope and intent of this agreement for this program subject to the approval of DoD and FMV. The IA will include procedures necessary to comply with the provisions of this agreement, such as joint responsibilities and exchange of information and communication.

4.3 Direct communications are authorized between the designated project officers on all technical and program implementation pertaining to this agreement. Policy and regulatory matters which are not authorized to be decided by the designated project officers will be referred to the appropriate levels of the DoD and the FMV for guidance and decision. In the event of any inconsistency between the IA and this agreement, the terms and conditions of this agreement will prevail.

4.4 In case of controversy which may arise under the terms of this agreement or the IAs reached in accordance therewith, such controversy will be submitted for final decision to the appropriate levels of each government.

4.5 The FMV will transmit to the DoD periodic status reports on program progress based on FMV-established milestones.

4.6 Periodic management reviews of the program will be scheduled as the project officers deem necessary. Formal minutes will be used to record the proceedings of these progress review meetings.

4.7 The DoD and the FMV will, upon reasonable notice and upon terms to be agreed, use their best efforts to arrange for their authorized representatives and program contractors to have access to their establishments and contractor's premises involved in this program for the effective execution of the arrangements embodied in this agreement.

V STANDARDIZATION.

5.1 The DoD and the FMV agree to seek standardization (form, fit, function, and performance) of the HELLFIRE Missile with the objective of maintaining, to the maximum extent possible, a common configuration and functional interchangeability of similar components of the U.S. HELLFIRE Missile and the GOS Coastal Defense System.

5.2 For FMS supplied components only, the DoD project officer will be responsible for maintaining the baseline configuration of the U.S. HELLFIRE Missile and for notifying the FMV project officer of approved changes affecting function or interface of GOS Coastal Defense System.

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5.3 For direct commercial sale components only, the GOS must contract for and the USG will allow subject to national security consideration the contractor to provide proposed changes and microfilm of U.S. Army approved changes to the GOS.

5.4 The FMV project officer will be responsible for maintaining the GOS Coastal Defense System baseline and for notifying the DoD project officer in writing of U.S. changes and modifications that effect the GOS Coastal Defense System not incorporated by the FMV and for providing notification of FMV changes and modifications. All failures of any kind in performance or in the equipment arising from non-incorporation of U.S. adopted changes or FMV changes and modifications not approved by the DoD will be the sole responsibility of the FMV.

5.5 Detailed procedures for configuration management will be jointly developed by the U.S. and FMV project officers and documented in the IA.

VI. FINANCIAL MATTERS.

6.1 The FMV will pay the FMS cost to the DoD of furnishing all defense articles and defense services in connection with this agreement, including but not limited to the following areas:

a. Costs resulting from the provision of miscellaneous technical, administrative and engineering services.

b. Costs of reproduction, packaging, handling and transmission of documentation

6.2 The applicable charge for nonrecurring cost recoupment is \$ 3,300.00 for each HELLFIRE Missile acquired under this program. This charge is based on the U.S. HELLFIRE Missile being 80 percent common with the GOS Coastal Defense System. This charge will be payable via an FMS case when the HELLFIRE Missiles are purchased under an LOA, or it will be collected by the contractors if the HELLFIRE Missiles are purchased on a direct basis.

6.3 Prices of items purchased from the GOS by or for the DoD or with funds derived through the security assistance program or other DoD programs, will not include royalties or other payments for the use of or practice of inventions, designs, patents, technical data, etc., which the DoD already has the right to use, disclose or practice, which are in the public domain or which the DoD has been given without restriction upon its use or disclosure to others, or is otherwise free to use without the payment of royalties and/or other fees.

6.4 Use of the USG tooling and test equipment will be on a reimbursable basis, and will not interfere with U.S. production requirements.

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VII. AUTHORIZED USE AND TRANSFER OF TECHNICAL DATA.

7.1 To the extent it can do so without incurring liability to others, and subject to the provisions of this agreement and LOA's related to this agreement, the DoD grants to the FMV the right to use or have used for the purpose of this program only, the technical data and equipment transferred for assembly of missiles in quantities as identified in Article III, as well as for evaluation, overhaul, maintenance, repair and related training.

7.2 Any assembly in excess of the quantities authorized in Articles III and VII of this agreement will require separate approval of the DoD and the execution of an amendment to this agreement, which will also provide for payment of additional charges.

7.3 The use of technical data which will be provided under this agreement or resultant LOA's will be limited to that required for the purposes authorized herein. Information which it has acquired without the unencumbered right to use and convey to others will not be furnished by the DoD.

7.4 It is understood that the furnishing of these technical data does not in any way constitute a license to make, use, sell, or transfer whatsoever any inventions, technical information, or know-how owned by third parties which may be described in the documentation.

7.5 The DoD will incur no liability for any procurement, manufacture, use or sale by the FMV which makes use of any technical data provided pursuant to this agreement or for any results derived from the use thereof. The FMV agree to indemnify the U.S. Government against any liability resulting from a claim asserted by the owner of any technical data for which the DoD does not hold unlimited rights of use, in connection with use by the FMV of such technical data.

7.6 The DoD will use its best endeavors to facilitate the licensing on reasonable terms of appropriate commercially-owned information, in accordance with normal licensing procedures.

7.7 In support of this program, the DoD, to the extent that it has the right to do so, agrees to sell to the FMV, under FMS, or allow through commercial arrangements portions of the HELLFIRE Missile Technical Data Package necessary for assembly, overhaul, maintenance, repair and related training, in Sweden.

7.8 The FMV agrees that defense articles and defense services, including technical data provided by the DoD or by U.S. manufacturers in accordance with this agreement and related FMS cases, and items produced therefrom under the agreement, will not be sold or transferred to any third country, organization or person without the prior written consent of the USG and that such defense articles, defense services and items will be used only for this program. The FMV shall ensure that any Swedish contractors to whom technical data is released pursuant to this agreement shall agree in writing not to disclose such data to any third country, organization or person without the prior written consent of the U.S. Government and will use such data only for the purpose of this program.

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7.9 The DoD, in providing technical data to the FMV, will use its best efforts to furnish technical data that are accurate, adequate for the authorized purpose, current and complete; however, the DoD does not guarantee the adequacy, accuracy, currency or completeness of any technical data provided by commercial sources. However, the USC will extend its best efforts to correct any omissions in its original TDP submission.

7.10 Flowback of Swedish Technical Data to the USG:

a. Upon request of the USC the FMV will furnish or cause to be furnished the following technical data to the DoD at no cost to the DoD other than the cost of reproduction, preparation and handling.

(1) All technical data pertaining to changes, modifications and improvements in the design of the GOS Coastal Defense System made in the course of development, evaluation, production, operation and maintenance of the GOS Coastal Defense System.

(2) All technical data pertaining to improvements in US provided manufacturing processes employed in the production of the GOS Coastal Defense System.

(3) Technical data pertaining to changes proposed in the design of GOS Coastal Defense System but not adopted.

(4) Notwithstanding 1, 2, and 3 above, if the FMV incorporates an existing commercial item without modification of either the item or the GOS Coastal Defense System, and if (i) the item is not based in whole or in part on U.S. technical data or on U.S. design; and (ii) the item is not in whole or in part funded or financed by FMV directly or indirectly; and (iii) there is not a development contract or subcontract between FMV and the supplier, then the FMV will only be required, to the extent that it has the right to do so without incurring liability to others, to provide to the DoD sufficient information for the DoD to evaluate the item, to procure it, to incorporate it into the system, and to operate, maintain, overhaul and modify it.

b. The FMV will grant or cause to be granted to the DoD, to the extent it has the right to do so without incurring liability to others, a non-exclusive, irrevocable, royalty-free license to use and have used for U.S. defense purposes, including security assistance, the technical data defined in subparagraphs 1, 2, and 3 above. Additionally, the FMV will use its best efforts to obtain licenses on fair and reasonable terms to the DoD to use and have used the technical data defined in subparagraph a. 4 above and patented inventions depicted in such technical data for U.S. defense purposes, including security assistance.

c. The FMV will include suitable provisions in all pertinent program contracts, including a requirement to include those same provisions in all subcontracts, to meet the requirements of this section.

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7.11 The DoD may request purchases from Sweden of the GOS Coastal Defense System for its own defense purposes. Such purchases will automatically increase the scope of the program by any quantities purchased.

7.12 The recipient will respect private rights, unless waived by this agreement, such as patents, copyrights, technology, or other rights in data, which are involved in this information.

VIII. THIRD COUNTRY SALES.

Third country sales of the GOS Coastal Defense System by the GOS will require the case-by-case approval of the U.S. Government. Any third country sales of the GOS Coastal Defense System by the US and/or Swedish contractors will require case-by-case approval by both the US and Swedish Governments.

IX. SECURITY.

9.1 Any classified material or information which may be transferred by either government to the other government under this agreement will be furnished in accordance with the USC-GOS General Security of Military Information Agreement of 23 December 1981 and the Security Procedures for Industrial Operations between the Supreme Commander of the Swedish Armed Forces and the Department of Defense of the United States (Security Protocol) of 16 February 1982, and such other agreements relating thereto which have been or may hereafter be concluded by the governments, and shall be afforded protection as set forth therein. The highest degree of U.S. classified documents/materials to be exchanged pursuant to this agreement will be U.S. CONFIDENTIAL. However, no U.S. classified production information, including designs, drawings, specifications, models or techniques necessary to manufacture the HELLFIRE Missile System, will be released to the GOS.

9.2 Classified information exchanged under this program will be marked and safeguarded as follows:

a. Swedish information or material received by the USG and marked by Sweden as HEMLIG will be safeguarded as U.S. SECRET.

b. Swedish information classified as HEMLIG maybe downgraded from SECRET to US CONFIDENTIAL if marked by Swedish authority - treat as US CONFIDENTIAL.

c. U.S. CONFIDENTIAL information or material received by the GOS will be safeguarded as HEMLIG.

9.3 GOS will maintain comparable physical security for all defense articles and defense services furnished to GOS by the DoD or U.S. manufacturers under this MOU, as well as to items provided therefrom as is required by the U.S. Army in AR 190-11, Physical Security of Arms, Ammunition, and Explosive.

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X. TERMINATION.

10.1 It is the intention of the DoD and the FMV to continue this agreement until the work contemplated herein is completed. However, should either party decide, after mutual consultation, to terminate the program(s) before the completion of all actions envisioned and provided for, such termination will be effective ninety (90) days after notification by terminating party, or any time period agreed upon between the parties.

10.2 In the event of termination of the program(s), the provisions of Section VII and Section IX regarding the protection and provision of information will remain in full force and effect. To the extent that data has been collected pursuant to this agreement and would have been provided to the either party if the program(s) had not been terminated, such data will be provided to the other party.

10.3 This agreement will remain in effect for 10 years, and may be renewed with the mutual agreement of the parties.

10.4 In the event of the termination of this agreement, the FMV will offer only to the U.S. the opportunity to purchase all defense articles pertaining to this MOU.

XI. GENERAL PROVISIONS.

11.1 Responsibilities of the parties pursuant to this agreement which require the expenditure of funds are subject to the availability of authorized and appropriated funds.

11.2 All communications and other documents required or permitted pursuant to this agreement will either be submitted in the English language or accompanied by an English translation. In the event of conflict between the Swedish and English versions of a document, supplied the U.S., the English version will govern.

11.3 This agreement and its annexes may be amended by duly authorized representatives of the DoD and the FMV as mutually agreed.

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EFFECTIVE DATE.

This agreement, signed in two copies in the English language, will be effective on the date of the last signature by duly authorized representatives of the DoD and the FMV.

FOR THE GOVERNMENT OF SWEDEN

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

SIGNATURE

[Signature]

NAME

JAN HÖGLUND

U.S. Army Security Affairs
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PLACE

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NAME

Glenn A. Rudd

Acting Director, DSAA

PLACE

The Pentagon
Washington, D. C.

DATE

April 10, 1987

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ANNEX A

TO

THE SUPPLEMENT TO MEMORANDUM OF UNDERSTANDING

BETWEEN

THE UNITED STATES OF AMERICAN AND SWEDEN

SWEDISH HELLFIRE COASTAL DEFENSE SYSTEM

1. SYSTEM DESCRIPTION

The Swedish HELLFIRE Coastal Defense System is an adaptation of the U.S. HELLFIRE Modular Missile System and consists of:

- a. The HELLFIRE modular missile with a modified autopilot and a Swedish developed warhead especially designed for use against ship targets.
- b. A Swedish developed man-portable, ground-based, missile Launch Equipment (LE). The LE consists of launch control electronics including safe and arm-box mounted at the Swedish developed ground launcher (using a standard HELLFIRE rail), cables with reels, and a Swedish developed power supply.
- c. Swedish developed containers.
- d. Ground Laser Designators compatible with the HELLFIRE Modular Missile System.
- e. Training equipment including dummy and special test missiles.

2. ASSOCIATED ITEMS

Support efforts and equipment for the Swedish HELLFIRE Coastal Defense System consists of:

- a. Final assembly and checkout equipment
 - b. Equipment for overhaul, maintenance, and repair.
 - c. Spares.
 - d. Documentation.
 - e. Training.
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